

TOWN OF STRATHMORE

Consolidated Financial Statements

For the year ended December 31, 2014

TOWN OF STRATHMORE
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INDEPENDENT AUDITORS' REPORT

To: The Mayor and Members of Council of
the Town of Strathmore

We have audited the accompanying consolidated financial statements of the Town of Strathmore which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Strathmore as at December 31, 2014 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

Young Parkyn McNab LLP

April 15, 2015

Chartered Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Strathmore.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Strathmore is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Financial Audit Committee.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Young Parkyn McNab LLP has full and free access to the Council.



Chief Administrative Officer _____

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2014

	2014	2013
Financial assets		
Cash and temporary investments (note 2)	\$ 6,225,951	\$ 8,951,259
Taxes and grants in place of taxes receivable (note 3)	498,129	648,759
Trade and other receivables (note 4)	1,630,619	2,768,539
Investments (note 5)	16,838,824	12,218,430
	<u>25,193,523</u>	<u>24,586,987</u>
Liabilities		
Accounts payable and accrued liabilities	2,407,431	3,617,927
Employee benefit obligations (note 6)	560,750	448,707
Deposits	1,017,154	750,416
Deferred revenue (note 7)	2,923,071	154,457
Long-term debt (note 8)	11,215,563	15,460,695
	<u>18,123,969</u>	<u>20,432,202</u>
Net financial assets	<u>7,069,554</u>	<u>4,154,785</u>
Non-financial assets		
Prepaid expenses	64,075	33,094
Inventory for consumption	58,088	83,949
Tangible capital assets (schedule 2)	175,836,285	178,573,583
	<u>175,958,448</u>	<u>178,690,626</u>
Accumulated surplus (note 9)	<u>\$183,028,002</u>	<u>\$182,845,411</u>

Commitments and contingencies (note 17 and 18)

Approved on behalf of Council:

Councillor



Councillor



TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2014

	Budget (Unaudited)	2014	2013
Revenue			
Net municipal property taxes (note 12)	\$ 9,932,548	\$ 9,947,751	\$ 9,656,942
User fees and sales of goods	9,093,949	10,439,394	9,784,420
Government transfers for operating (note 13)	723,230	1,164,613	996,697
Investment income	302,271	505,869	513,883
Penalties and costs of taxes	188,791	186,762	187,414
Licenses and permits	423,850	615,624	420,375
Other	214,597	189,546	268,480
	20,879,236	23,049,559	21,828,211
Expenses (note 14)			
Legislative	307,658	265,064	258,393
Administration	2,403,303	2,584,306	2,426,002
Police, fire, disaster, ambulance and bylaw enforcement	3,505,640	3,370,100	3,247,183
Transportation services	3,245,311	3,512,960	3,447,988
Water supply and distribution	3,451,962	3,265,442	3,086,246
Wastewater treatment and disposal	3,312,142	3,783,932	3,475,249
Waste management	720,105	854,662	854,919
Public health and welfare services	795,052	710,048	747,468
Planning and development	992,497	956,249	678,663
Parks and recreation	3,672,234	3,696,154	3,766,895
Culture - libraries, museums, halls	1,089,031	735,630	729,481
	23,494,935	23,734,547	22,718,487
Deficiency of revenue over expenses before other	(2,615,699)	(684,988)	(890,276)
Other			
Government transfers for capital (note 13)	4,373,565	867,579	5,594,317
Contributed assets	-	-	2,365,551
	4,373,565	867,579	7,959,868
Excess of revenue over expenses	1,757,866	182,591	7,069,592
Accumulated surplus, beginning of year	182,845,411	182,845,411	175,775,819
Accumulated surplus, end of year	\$184,603,277	\$183,028,002	\$182,845,411

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2014

	Budget (Unaudited)	2014	2013
Excess of revenue over expenses	\$ 1,757,866	\$ 182,591	\$ 7,069,592
Acquisition of tangible capital assets	(4,772,590)	(1,570,111)	(6,601,683)
Amortization	3,964,599	4,116,621	3,909,248
Contributed assets	-	-	(2,365,551)
Loss on disposal of tangible capital assets	-	52,647	34,379
Proceeds on disposal of tangible capital assets	-	138,143	-
	(807,991)	2,737,300	(5,023,607)
Net change in inventory for consumption	-	25,859	(35,883)
Net change in prepaid expense	-	(30,981)	(15,915)
	-	(5,122)	(51,798)
Increase in net financial assets	949,875	2,914,769	1,994,187
Net financial assets, beginning of year	4,154,785	4,154,785	2,160,598
Net financial assets, end of year	\$ 5,104,660	\$ 7,069,554	\$ 4,154,785

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2014

	2014	2013
Operating transactions		
Excess of revenue over expenses	\$ 182,591	\$ 7,069,592
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	52,647	34,379
Amortization	4,116,621	3,909,248
Contributed assets	-	(2,365,551)
	4,351,859	8,647,668
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	150,630	(44,932)
Trade and other receivables	1,137,920	2,419,968
Inventory for consumption	25,859	(35,883)
Prepaid expenses	(30,981)	(15,915)
Accounts payable and accrued liabilities	(1,210,496)	844,584
Employee benefit obligations	112,043	114,432
Deposits	266,738	(47,886)
Deferred revenue	2,768,614	(1,948,256)
Cash provided by operating transactions	7,572,186	9,933,780
Capital transactions		
Proceeds on disposal of tangible capital assets	138,143	-
Acquisition of tangible capital assets	(1,570,111)	(6,601,683)
Cash applied to capital transactions	(1,431,968)	(6,601,683)
Investing transactions		
Increase in investments	(4,620,394)	(4,038,056)
Cash applied to investing transactions	(4,620,394)	(4,038,056)
Financing transactions		
Repayment of long-term debt	(4,245,132)	(1,469,914)
Decrease in cash and temporary investments	(2,725,308)	(2,175,873)
Cash and temporary investments, beginning of year	8,951,259	11,127,132
Cash and temporary investments, end of year	\$ 6,225,951	\$ 8,951,259

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

1. Significant accounting policies

The consolidated financial statements of the Town of Strathmore are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes operating requisitions for educational, and other external organizations that are not controlled by the Municipal Council.

The statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be preformed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

1. Significant accounting policies, continued

(e) Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(f) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(g) Inventories for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes cost for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as a tangible capital asset under the respective function.

(h) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be determined.

(i) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

1. Significant accounting policies, continued

(i) Non-financial assets, continued

(i) Tangible capital assets, continued

	Years
Land improvements	15-25
Buildings	25-50
Engineered structures	45-75
Machinery and equipment	5-25
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

2. Cash and temporary investments

	2014	2013
Cash	\$ 2,052,328	\$ 1,488,903
Temporary investments	4,173,623	7,462,356
	\$ 6,225,951	\$ 8,951,259

The Town of Strathmore has an authorized overdraft limit of \$1,000,000 at a rate of prime less 0.375%. Security consists of a general security agreement. The temporary investment consists of funds held in a high interest savings account through the investment portfolio.

3. Taxes and grants in place of taxes receivables

	2014	2013
Taxes and grants in place of taxes receivable	\$ 361,220	\$ 488,353
Arrears	136,909	160,406
	\$ 498,129	\$ 648,759

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

4. Trade and other receivables

	2014	2013
Trade accounts receivable - operating	\$ 1,172,522	\$ 988,042
Trade accounts receivable - capital	25,000	1,222,244
Goods and services tax receivable	69,501	120,468
Utilities receivable	411,523	458,240
Allowance for doubtful accounts	(47,927)	(20,455)
	<u>\$ 1,630,619</u>	<u>\$ 2,768,539</u>

5. Investments

	2014		2013	
	Cost	Market value	Cost	Market value
Commercial notes	\$ 16,834,960	\$ 17,176,601	\$ 12,214,677	\$ 12,480,953
Other	3,864	3,864	3,753	3,633
	<u>\$ 16,838,824</u>	<u>\$ 17,180,465</u>	<u>\$ 12,218,430</u>	<u>\$ 12,484,586</u>

Commercial notes have interest rates from 0% to 10.2% (2013 - 2.4% to 10.2%). Maturity dates are from the year 2015 to 2108.

The Town received government grants and other funds that are restricted in their use and are to be utilized as funding for specific projects. Since the projects for which funding has been received have not been completed, \$3,940,225 (2013 - \$904,873) of the cash and temporary investments balance are not available for general use by the Town.

6. Employee benefit obligations

	2014	2013
Vacation payable	\$ 508,221	\$ 410,133
Overtime payable	52,529	38,574
	<u>\$ 560,750</u>	<u>\$ 448,707</u>

Vacation and overtime

The vacation and overtime liability is comprised of vacation and accumulated overtime that employees have earned and are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

7. Deferred revenue

	2014	2013
Municipal Sustainability Initiative	\$ 2,411,670	\$ 44,655
Federal Gas Tax Fund	353,562	-
Other prepaid charges	154,388	106,351
Ground Search and Emergency Training	3,451	3,451
	<u>\$ 2,923,071</u>	<u>\$ 154,457</u>

Municipal Sustainability Initiative

The Municipal Sustainability Initiative (MSI) is a funding program aimed at providing financial support for critical core and community infrastructure projects and includes incentives to encourage collaboration and co-operation between neighbouring municipalities. This population based funding program includes operating, capital and affordable housing components. In 2014 the Town was allocated \$0 in operating funding (2013 - \$181,712) and was allocated \$2,917,988 in capital funding (2013 - \$916,350). The MSI funding now also includes capital funding previously provided under the Basic Municipal Transportation Grant (BMTG).

Federal Gas Tax Fund

As part of the New Building Canada Plan, the renewed Federal Gas Tax Fund (FGTF) provides predictable, long-term, stable funding for Canadian municipalities to help them build and revitalize their local public infrastructure while creating jobs and long term prosperity. The balance represents funding that has not yet been spent on approved projects.

8. Long-term debt

	2014	2013
Self supported long-term debt	\$ 11,215,563	\$ 15,460,695
Current portion	<u>\$ 1,403,752</u>	<u>\$ 1,542,409</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2015	\$ 1,403,752	\$ 454,617	\$ 1,858,369
2016	1,480,551	377,817	1,858,368
2017	1,160,952	295,516	1,456,468
2018	1,205,622	250,846	1,456,468
2019	636,460	210,411	846,871
Thereafter	5,328,226	822,915	6,151,141
	<u>\$ 11,215,563</u>	<u>\$ 2,412,122</u>	<u>\$ 13,627,685</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

8. Long-term debt, continued

Long-term debt is repayable to Alberta Capital Finance Authority, Canada Mortgage and Housing Corporation, and Chinook Credit Union Ltd. Interest rates range from 2.634% to 11.125% per annum. The long-term debt is issued on the credit and security of the Town at large. The average annual interest rate is 4.12% for 2014 (3.31% for 2013).

Interest on long-term debt amounted to \$560,625 (2013 - \$639,338). The Town's total cash payments for interest in 2014 were \$600,324 (2013 - \$672,829).

9. Accumulated surplus

Accumulated surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2014	2013
Unrestricted surplus	\$ 8,380,910	\$ 10,131,919
Internally restricted surplus (reserves) (note 11)	10,026,370	9,600,604
Equity in tangible capital assets (note 10)	164,620,722	163,112,888
	<u>\$183,028,002</u>	<u>\$182,845,411</u>

10. Equity in tangible capital assets

	2014	2013
Tangible capital assets (schedule 2)	\$220,436,675	\$219,143,467
Accumulated amortization (schedule 2)	(44,600,390)	(40,569,884)
Long-term debt (note 8)	(11,215,563)	(15,460,695)
	<u>\$164,620,722</u>	<u>\$163,112,888</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

11. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses. Reserves for operating and capital activities changed as follows:

	2014	2013
Operating		
Financial stabilization	\$ 2,528,879	\$ 2,841,133
Potable water	944,017	920,185
Sanitary sewer	332,596	325,004
Office revitalization	222,079	264,683
Family Centre capital reduction	193,294	188,881
RCMP reserve	117,896	115,205
Garbage	44,682	43,662
General administration	43,234	42,247
Roads, walks and lighting	39,200	38,305
Family Centre	28,771	28,114
General enforcement	23,845	23,301
Cemetery	19,932	32,448
Sewer conveyance	4,701	4,594
	4,543,126	4,867,762
Capital		
Storm off-site levies	1,078,630	1,007,513
Water off-site levies	1,056,684	652,166
Sewer off-site levies	655,785	478,920
Capital equipment reserve	628,922	520,255
Roads off-site levies	501,243	399,058
Water supply	480,521	469,552
Municipal public reserve	274,292	268,031
Storm offsite levies - Eagle Lake	203,160	48,255
Civic Centre	190,042	185,704
Bike pathway levies	106,697	104,262
Fire	80,534	401,162
Family Centre	69,275	67,693
Roads, walks and lighting	28,279	27,633
Sanitary sewer	26,430	25,827
Sewer off-site levies - Orchard Park	26,358	22,290
Storm	22,726	22,208
Recreation	13,413	13,107
Sewer off-site levies - West	12,946	10,845
Sewer off-site levies - East Strathmore	10,218	-
Sewer off-site levies - Parkwood Bypass	8,532	-
Aquatic Centre Capital Equipment Reserve	4,372	4,272
Bike pathway	4,185	4,089
	5,483,244	4,732,842
	\$ 10,026,370	\$ 9,600,604

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

12. Net municipal property taxes

	Budget (Unaudited)	2014	2013
Taxation			
Real property taxes	\$ 11,872,093	\$ 11,557,747	\$ 11,504,014
Linear property taxes	202,662	210,222	210,089
Business taxes	2,888,899	2,839,184	2,798,798
Government grants in place of property taxes	71,591	70,046	72,189
	15,035,245	14,677,199	14,585,090
Requisitions			
Alberta School Foundation Fund	4,506,489	4,175,668	4,352,102
Christ the Redeemer School Division	486,322	448,951	469,876
Wheatland Housing requisition	109,886	104,829	106,170
	5,102,697	4,729,448	4,928,148
	\$ 9,932,548	\$ 9,947,751	\$ 9,656,942

13. Government transfers

	Budget (Unaudited)	2014	2013
Transfers for operating:			
Provincial government	\$ 720,230	\$ 1,161,613	\$ 993,697
Federal government	3,000	3,000	3,000
	723,230	1,164,613	996,697
Transfers for capital			
Provincial government	4,373,565	867,579	5,594,317
	\$ 5,096,795	\$ 2,032,192	\$ 6,591,014

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

14. Expenditures by object

	Budget (Unaudited)	2014	2013
Salaries, wages and benefits	\$ 7,647,800	\$ 7,797,254	\$ 7,304,632
Contracted and general services	7,596,838	8,149,568	7,266,784
Materials, goods, supplies and utilities	3,084,659	2,862,438	3,353,136
Bank charges and short-term interest	16,000	22,412	18,539
Interest on long-term debt	600,305	560,625	639,338
Other expenditures	375,031	163	1,998
Transfers to local boards and agencies	10,000	4,941	4,941
Transfers to other governments	85,203	89,374	105,253
Transfers to individuals and organizations	114,500	78,504	80,239
Amortization of tangible capital assets	3,964,599	4,116,621	3,909,248
Loss on disposal of tangible capital assets	-	52,647	34,379
	\$ 23,494,935	\$ 23,734,547	\$ 22,718,487

15. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	2014	2013
Total debt limit	\$ 34,574,339	\$ 32,742,316
Total debt	11,215,563	15,460,695
	\$ 23,358,776	\$ 17,281,621
Debt servicing limit	\$ 5,762,390	\$ 5,457,053
Debt servicing	1,858,368	2,142,733
	\$ 3,904,022	\$ 3,314,320

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

16. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	(1)	(2)		
	Salary	Benefits & allowances	2014	2013
Council				
Mayor Michael Ell	\$ 48,078	\$ 13	\$ 48,091	\$ 8,264
Councillor Pat Fule	27,425	736	28,161	26,014
Councillor Robert Sobol	27,425	750	28,175	26,014
Councillor Brad Walls	27,425	736	28,161	4,634
Councillor Rocky Blokland	27,025	730	27,755	26,014
Councillor Denise Peterson	26,625	711	27,336	4,634
Councillor John Rempel	21,854	590	22,444	26,014
Councillor Steve Grajczyk	635	30	665	39,857
Councillor Earl Best	-	-	-	21,680
Councillor Dave Hamilton	-	-	-	21,680
Chief Administrative Officer	\$ 181,800	\$ 33,296	\$ 215,096	\$ 199,583

(1) Salary includes regular base pay, per diems, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits.

17. Contingencies

The Town of Strathmore has entered into project agreements with Epcor Water Services Inc. ("EPCOR") under which EPCOR has agreed to provide certain equipment and systems to the Town relating to public utilities and infrastructure. Provided that the Town maintains this contractual agreement for a term of twenty years, the Town will not be liable for the costs of this equipment and systems. Should the Town terminate this contract, it will be required to pay the unamortized balance at that date, based on initial costs of \$1,155,951 plus GST, amortized straight-line over twenty years. At the end of the twenty year period, the balance remaining will be \$1. As at December 31, 2014 the remaining unamortized balance was \$316,285, (2013 - \$374,082).

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

17. Contingencies, continued

The Town of Strathmore is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

18. Commitments

The Town has contracted EPCOR Water services Inc. to provide management and operations services related to the public utilities and infrastructure system until 2020. Billing under the contract is an annual rate of \$2,112,588, adjusted yearly by the consumer price index.

The Town has contracted Enmax to provide electrical services to the Town until 2018. Billing under the contract is based on energy consumption, subject to various adjustments as stipulated in the agreement.

The Town has contracted with the Western Irrigation District to deal with municipal storm water issues. The contract is in effect until 2016. Billing under the contract is an annual rate of \$27,500 which increases each year by the consumer price index (CPI).

Payments over the next five years are as follows:

2015	\$	32,098
2016		33,105
		\$ 65,203

19. Non-monetary transaction

During the year, the Town entered into a non-monetary transaction with an unrelated party. The Town has agreed to exchange land valued at \$631,955 for recycling services to take place over the next five years. The Town will accrue a liability at \$126,391 per year over five years as the recycling services are received, and legal title to the land will be transferred at the end of the five years to settle the obligation.

20. Local authorities pension plan

Employees of the Town of Strathmore participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 224,000 people and 428 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses in the year they become due.

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

20. Local authorities pension plan, continued

Total current service contributions by the Town to the LAPP in 2014 were \$561,878 (2013 - \$479,685). Total current service contributions by the employees of the Town to the LAPP in 2014 were \$516,777 (2013 - \$437,468).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 billion.

21. Budget amounts

The 2014 budget for the Town was approved by Council on December 4, 2013 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted surplus per financial statements	\$ 1,757,866
Less: Capital expenditures	(4,772,590)
Long-term debt repayments	(1,542,430)
Add: Amortization	3,964,599
Transfers from reserves	592,555
Equals: Balanced budget	\$ -

22. Financial instruments

The Town of Strathmore's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, requisition under-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

23. Approval of financial statements

These financial statements were approved by Council and Management.

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2014	2013
Balance, beginning of year	\$ 10,131,920	\$ 9,600,604	\$ 163,112,887	\$ 182,845,411	\$ 175,775,819
Excess of revenue over expenses	182,591	-	-	182,591	7,069,592
Unrestricted funds designated for future use	(1,445,559)	1,445,559	-	-	-
Restricted funds used for operations	347,957	(347,957)	-	-	-
Restricted funds used for tangible capital assets	-	(671,836)	671,836	-	-
Current year funds used for tangible capital assets	(898,278)	-	898,278	-	-
Disposal of tangible capital assets	190,790	-	(190,790)	-	-
Annual amortization expense	4,116,621	-	(4,116,621)	-	-
Long term debt repaid	(4,245,132)	-	4,245,132	-	-
Change in accumulated surplus	(1,751,010)	425,766	1,507,835	182,591	7,069,592
Balance, end of year	\$ 8,380,910	\$ 10,026,370	\$ 164,620,722	\$ 183,028,002	\$ 182,845,411

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2014	2013
Cost:								
Balance, beginning of year	\$ 18,595,725	\$ 2,817,028	\$ 22,767,678	\$ 168,267,299	\$ 4,118,985	\$ 2,576,751	\$ 219,143,467	\$ 210,244,083
Acquisitions	-	240,903	-	339,676	411,452	408,179	1,400,210	6,134,791
Construction-in-progress	-	3,762	-	94,758	71,382	-	169,902	2,832,444
Disposals	-	-	(54,997)	(127,792)	(28,233)	(65,882)	(276,904)	(67,852)
Balance, end of year	18,595,725	3,061,693	22,712,681	168,573,941	4,573,586	2,919,048	220,436,675	219,143,467
Accumulated amortization:								
Balance, beginning of year	-	1,128,883	6,945,194	29,030,740	2,393,250	1,071,817	40,569,885	36,694,108
Annual amortization	-	147,614	468,430	3,083,004	257,990	159,580	4,116,618	3,909,248
Disposals	-	-	-	-	(20,231)	(65,882)	(86,113)	(33,473)
Balance, end of year	-	1,276,497	7,413,624	32,113,744	2,631,009	1,165,515	44,600,390	40,569,884
Net book value	\$ 18,595,725	\$ 1,785,196	\$ 15,299,057	\$ 136,460,197	\$ 1,942,577	\$ 1,753,533	\$ 175,836,285	\$ 178,573,583
2013 net book value	\$ 18,595,725	\$ 1,688,146	\$ 15,822,484	\$ 139,236,559	\$ 1,725,735	\$ 1,504,933	\$ 178,573,582	

TOWN OF STRATHMORE
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal property taxes	\$ 9,947,751	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,947,751
User fees and sales of goods	931,822	235,687	114,067	8,090,932	146,670	29,573	890,643	10,439,394
Government transfers for operating	-	398,816	-	517,567	241,230	-	7,000	1,164,613
Investment income	374,322	3,236	10,863	96,503	758	-	20,187	505,869
Penalties and costs of taxes	186,762	-	-	-	-	-	-	186,762
Licenses and permits	100,926	424,716	-	-	260	89,722	-	615,624
Other	22,624	11,267	43,943	8,650	35,442	-	67,620	189,546
	11,564,207	1,073,722	168,873	8,713,652	424,360	119,295	985,450	23,049,559
Expenses								
Salaries, wages and benefits	1,640,576	1,123,191	1,091,334	573,011	586,321	605,243	2,177,578	7,797,254
Contracted and general services	807,686	1,952,342	270,852	4,001,850	62,653	260,185	794,000	8,149,568
Materials, goods, supplies and utilities	207,716	142,939	728,328	1,017,994	41,124	48,137	676,200	2,862,438
Bank charges and short term interest	22,412	-	-	-	-	-	-	22,412
Interest on long term debt	36,518	-	-	399,270	-	-	124,837	560,625
Other expenditures	75	-	-	-	-	-	88	163
Transfers to local boards and agencies	-	-	-	-	-	4,941	-	4,941
Transfers to other governments	20,202	-	-	-	-	-	69,172	89,374
Transfers to individuals and organizations	22,500	-	-	-	19,951	29,053	7,000	78,504
Amortization of tangible capital assets	39,035	151,628	1,422,447	1,911,910	-	8,691	582,910	4,116,621
Loss on disposal of tangible capital assets	52,647	-	-	-	-	-	-	52,647
	2,849,367	3,370,100	3,512,961	7,904,035	710,049	956,250	4,431,785	23,734,547
Deficiency of revenue over expenses before other	8,714,840	(2,296,378)	(3,344,088)	809,617	(285,689)	(836,955)	(3,446,335)	(684,988)
Other								
Government transfers for capital	-	-	299,229	328,463	-	-	239,887	867,579
Excess of revenue over expenses	\$ 8,714,840	\$ (2,296,378)	\$ (3,044,859)	\$ 1,138,080	\$ (285,689)	\$ (836,955)	\$ (3,206,448)	\$ 182,591